

<p style="text-align: center;">CHAPTER FOUR</p> <p style="text-align: center;">ANALYSIS OF BSN COMMERCIAL BANK BERHAD .</p>

4.1 Research Methodology

Information were gathered by means of primary and secondary resources. Interviews were done with the relevant personnel and observations were made at some of the branches. Books and Annual Reports were used as the source of secondary data.

4.2 Analysis And Proposal

Since the bank is undergoing a period of crisis management due to currency turmoil as can be reflected by the huge losses incurred in 1997 ,there is a necessity for the bank to reengineer its business processes to sustain its competitiveness. I have identified the following 16 Business Procedures and Processes that need immediate attention and can be fixed :

- 1) Opening of Account
- 2) Closing of Account
- 3) Cheque Deposit
- 4) Cash Withdrawal
- 5) Cash Deposit
- 6) Clearing Item - Inward Clearing
- 7) Clearing Item - Outward Clearing
- 8) Transfer Transaction
- 9) Remittances
- 10) House Cheque Debiting
- 11) Customer Credit Application
- 12) Security Documentation
- 13) Customer's Account Reviewed
- 14) Loan Repayment

- 15) Customer's Account Defaulted
- 16) Teller Cash Dispenser

4.3 Service Design

The service System Design Matrix for the sixteen business process in BSN Commercial Bank is as seen in Figure 4.1. We can group the processes based on the degree of contact between customer and the server (service provider) to ease analysis. The grouped processes can be seen in table 4.1.

TABLE 4.1
Process Grouping Based On Degree Of Contact Between Customer & Server

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- 1) Mail Contact
 - a) Security Documentation
 - 2) On Site Technology
 - a) Clearing Item - Inward Clearing
 - b) Clearing Item - Outward Clearing
 - c) Customer's Account Defaulted
 - 3) Phone Contact
 - a) Customer Credit Application
 - b) House Cheque Debiting
 - 4) Face to Face Fight Specs
 - a) Customer's Account Reviewed
 - b) Loan Repayment
 - 5) Face to Face Loose Specs
 - a) Opening of Account
 - b) Closing of Account
 - c) Cheque Deposit


- 6) Face to Face Total Customisation
 - a) Cash Withdrawal
 - b) Cash Deposit
 - c) Transfer Transaction
 - d) Remittances
 - e) Teller Cash Dispenser
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The above service - system Design Matrix shows that BSN Commercial Bank should :

- 1) Integrate its operations and their marketing strategy through skilled Customer Service Representative and Integrate system and procedures to support its operations.
- 2) Emphasise the importance of customer service as the most of their business processes falls into the face loose specs and face to face customisation.
- 3) Increase their competitive advantage in the front line service.

The service-system Design Matrix also suggests the worker requirements, focus of operations and technological innovation in each of the business processes as shown in Table 4.2.

TABLE 4.2
Degree of customer / server contract



Low
High

Worker Requirements	Paper Skills	Coaching Skills	Communication Skill	Operation Skill	Technical Skill	Identify Customer Needs
Focus of Operations	Paper Process	Handling Pressure	Verify and Validate	Override Authority	Sufficient Resources	Providing Customer Service
Technological Innovations	Office Automation	Work Procedure	Computer-Data Base	EDI/ Internet	CSR platform and Executive workbench	Satisfying Customer Needs

Table 4.3 suggests some other areas where reengineering can be applied on smaller banks (Allen 1994). These suggestions can be applied to BSN Commercial Bank.

TABLE 4.3
Possible Reengineering Of Small Banks

Characteristic	Traditional Approach	Reengineered Approach
Delivery System	Relation Ship Manager- Based	"Hub" Branch- Based
Products	Multiple, Tailored Products	Standard, "Vanilla" Products
Account Officer Responsibilities	Administration, Credit& Marketing	Marketing To New & Existing Customers
Accounts Loads	75 Loans Per Account Officer	350 Loans PER Account Officer
Loan Approval Process	Complex, Individualised	Standard, Automated
Documentation	Complicated Burdensome	Streamlined, Automated
Turnaround Time	8-10 Days	1-3 Days

Source: Allen 1994

Ever since the bank's establishment its operations are performed manually except in the automatic teller machines (ATM) aspect and its accounting activities are performed via in-house developed computer software

programmes. Therefore its management is conducting an impact study to study its current procedures and work processes to identify areas for improvement in order to achieve a customer - oriented Bank status in local banking industry beside organisational -wide computerisation. I believe the suggested reengineering process in this paper on the sixteen critical processes in its daily operation will assist BSN Commercial Bank in attaining its objective. The management can embark on these programs concurrently to save time and resources in the implementation process. After these dual programs ,the bank can venture into adaptation of electronic data interchange (EDI), in its banking operations to gain further competitiveness in the local front.

In the following sections the proposed redesign and reengineering of work processes for each of the sixteen processes will be discussed in detail followed by the EDI banking plan.

4.4 Opening Of Account

There are six types of accounts at BSN Commercial Bank open to public as seen in Appendix 1.

A) Present Processes

The present process requires the customer to queue at the opening account counter. Customers are made to stand in the queue to obtain the account opening form. Customer at times with the assistance of the teller has to fill an account opening form to open an account. Approval of opening of the account must be done by the officer authorising the approval. The present process involves three personnel to open an account and takes a longer process to complete the transaction. Reversal of outward cheque return is done at service centre.

B) New Process

Customer need not queue at the opening account counter anymore as personalised service will be given at the Customer Service Representative (CSR) reception desk. Customer need not fill an account opening form as all information will be keyed in by CSR and system will automatically generate the forms. This new process will empower the CSR to approve the opening account. As personalised service will be given to the customer , it is only a one stop process for opening an account whereby cash and cheque transaction will be taken care of by CSR at CSR desk. Reversal of outward cheque is done at the processing centre to expedite the process. (Please refer to appendix 2)

C) Resources Required

In the new process for opening an account ,it requires only a Customer Service Representative (CSR) to complete the entire process. For a "A" ranking Service Centre, three CSR will be required to be stationed at the CSR desk not only for opening of an account but also to give assistance to customer whenever required. For "B" ranking Service Centre, one CSR is sufficient. During lunch hours ,the manager, Banking Services can replace the job function of a CSR. The manager can also play the role of a CSR and it should be included in his/her job function. The CSR at the CSR reception desk must be an officer of any ranking and must be an experienced personnel in banking operations. CSR must all times wear the Bank's uniform i.e. blue overcoat / blazer when performing duty.

D) Policies Required

Empowerment to CSR to accept cash and cheque deposit for opening, validation and approval of the account. As such, the cash handling guidelines and procedures must be followed by the CSR. An Authority to be given to CSR authorising the transaction and issuance of ATM cards.

4.5 Closing Of Account

Closing of accounts here refer to the six types of accounts as stated in Appendix 1.

A) Present Process

In the present process ,customers have to queue at the teller counter to request for closing of account. Time span to close the account is longer as the closing transaction has to go through three personnel before the account is closed.

B) New Processes

Closing of account is done at CSR reception desk where personalised service is given to the customer. Therefore, customer need not queue at the counter anymore. However for cash payout, the transaction will be done by CSR Teller at tellers counter. This new process calls for a shorter time as the customer will have an immediate contact with the CSR authorising and validating the account. (Please refer to appendix 3)

C) Resources Required

In the new process for closing an account , it requires only a CSR to complete the entire process. For a "A" ranking Service Centre, we require three CSR to be stationed at CSR desk not only for closing of an account but also to give assistance to customer whenever required. For "B" ranking Service Centre ,one CSR is sufficient. During lunch hours ,the manager, Banking Services can replace the job function of a CSR. The manager can also play the role of a CSR and it should be included in his/her job function. The CSR at the CSR reception desk must be an officer of any ranking and must be an experienced personnel in banking operations. CSR must all times wear the Bank's uniform i.e. blue overcoat / blazer when performing duty.

D) Policies Required

Empowerment to CSR to accept cash and cheque deposit for closing an account and validation of the transactions. As such, the cash handling guidelines and procedures must be followed by the CSR. For closing of account, CSR will validate the cash payout voucher and the customer will be paid at the CSR teller counter.

4.6 Cheque Deposit

Type of cheque deposits are :

1. Local Cheque
2. Outstation Cheque
3. Money Order/ Postal Order
4. House Cheque- Credit
5. Pension Warrant
6. Local Draft/Cashier Order

A) Present Process

Customer has to fill up the cheque deposit slip. All validated vouchers and cheques are to be checked and approved by an officer. House cheques are debited at home branch only by debiting the drawer account. The entire process requires a longer time period per transaction.

B) New Processes

In this new process, vouchers will be printed and validated by the system and the customer will have an option to fill a cheque deposit slip. All vouchers and cheques are checked and verified by the teller officer up to a maximum limit of RM 50,000. House cheques can be debited from the drawer account at any branch as drawer's signature verification can be done through the system. (Please refer appendix 4)

C) Resources Required

For a “A” ranking service centre , four teller officers are required whereas for a “B” ranking Service Centre, two teller officers are sufficient. While a full branch requires 3 officers.

D) Policies Required

Empowerment to teller officers to receive and verify cheque deposit up to a maximum of RM 50,000. Cheque deposits above RM 50,000 must be verified by back office officer / chief cashier. It is recommended that the Officer-Teller concept be implemented to mobilise resources. The Human Resource Department should facilitate the officer-teller requirements.

4.7 Cash Withdrawal

There are seven account types for each withdrawal as per Appendix 1 with an addition of one account known as Pension Warrant.

A) Present Processes

The present process requires checking of the customer's signature manually. Authorisation of tellers exceeding limit must be done physically by the officer. Require a longer time per transaction.

B) New Process

The process will have an on-line signature verification system, therefore authorisation can be done on-line through the CSR officers' computer terminal for transaction exceeding the tellers limit. Requires a shorter time per transaction as the override can be done on the system. (Please refer Appendix 5)

C) Resources Required

For the "A" ranked Service Centres and "B" ranked Service Centres, four and two teller officers are required respectively. For the full branch, three teller officers are needed.

D) Policies Required

Signature specimen card is not required anymore as the system will provide the function for verification. Limit of cash withdrawal without the authorisation from an officer should be raised.

4.8 Cash Deposit

There are six account types for cash deposit as per Appendix 1.

A) Present Processes

Customers who want to deposit cash into his/her account have to fill up the cash deposit voucher. The validated voucher is to be checked and approved by an officer. A cash received stamp is needed. Requires a longer time per transaction.

B) New Processes

Customer need not fill up the cash deposit voucher as the voucher will be printed out by the system. The voucher will then be checked and verified by the teller. No cash received stamp is required. Requires a shorter time for transaction. (Please refer Appendix 6)

C) Resources Required

For the "A" ranked Service Centres and "B" ranked Service Centres, four and two teller officers are required respectively. For the full branch, one to three teller officers are needed.

D) Policies Required

Empowerment to teller or teller-officers to receive and approve the cash deposit as the officer is not required to verify cash-in vouchers under the new system. It is recommended that the office-teller concept be implemented and HR Department to facilitate the new requirements.

4.9 Clearing Item – Inward Clearing

A) Present Processes

All cheques received from inward clearing will be checked manually for its technicality and excesses of the account. This process is error prone as cheque return is done manually. Moreover, the decision making for returning of cheques is slow. The reversal of cheques for outward cheque return is done at respective service centre which slow down the processing time.

B) New Processes

All cheques received under inward clearing will be batched in the computer system images machine for rejection of excesses and technical error. This new process has minimal error as cheque images is in the system and it can be easily checked through the system for any rejection. This process has faster delivery time and speedy decision for the return of cheques. The reversal of cheques for Outward Cheque Return is done at the Processing Centre which will speed up the processing time. (Please refer Appendix 7)

C) Resources Required

Resources needed at the Processing Centre are two officers and three clerical staff.

D) Policies Required

Reversal and debiting of account for cheques to be returned will be done by the Processing Centre. Authorisation of Processing Centre Officer to execute the return of cheques are based on the decision and power granted by the

Service Centre Manager. Current policies need to be revised upward on the confirmation of cheques payable by customers.

4.10 Clearing Item – Outward Clearing

A) Present Processes

Currently, the reversal of Inward Cheque Returned is done at Service Centres.

B) New Processes

The new process recommended the reversal of the Inward Cheque Returned to be done at the Processing Centre to save time and resources. (Please refer Appendix 8)

C) Resources Required

At the Processing Centre, two Officers and three clerical staff are needed.

D) Policies Required

Reversal and debiting of account for Inward Cheque Return will be done at the Processing Centre.

4.11 Transfer Transaction

Transfer transactions can be enacted through the account types in appendix 1.

A) Present Processes

Customer need to fill up form for financial transfer transaction to be enacted. Transfer transaction exceeding the teller limit need the override through Officers' computer terminal upon teller informing the Officer. Under the current system, inter -branch Fixed Deposit withdrawal cancellation is not allowed and loan payment is done at the teller counter only.

B) New Processes

In the new process, option is given to customer whether to fill the form or go directly to CSR teller to enact the transfer transaction as the system can automatically print the validated form as per request. CSR computer system will be informed of any override required by the CSR teller for all transfer transaction that exceed the CSR teller limit (Buzzing of CSR system to indicate the override requirement). For inter-branch Fixed Deposit, withdrawal / cancellation can be transacted but payment must be made by cashiers order or transfer to customer's savings / current account. Transfer transaction for loan repayment can be done at the financial system available at Credit Administration Dept. (Please refer Appendix 9)

C) Resources Required

For the "A" ranked Service Centres and "B" ranked Service Centres, four and two teller officers are required respectively. For the full branch, one to three teller officers are needed.

D) Policies Required

To allow unlimited inter-branch transaction inclusive of transfer transaction within the Bank's networking. Withdrawal / cancellation of Fixed Deposit for inter-branch transaction will be transferred into the customer's Savings Account / Current Account. If customer do not have an account with the Bank, CSR to issue cashier order for payment. No cash withdrawal is allowed for Fixed Deposit withdrawal / cancellation.

4.12 Remittances

Customer or CSR can instruct Bank to enact any of the following transaction:

1. Cashiers Order
2. Local & Foreign Draft
3. Foreign Currency Exchange
4. Sales/Purchase of Travellers Cheque
5. Cable Transfer

The above transaction can be enacted by cash or debit from an account with the Bank's home branch or inter-branch.

A) Present Processes

Customer at times with the assistance of the teller has to fill an account opening form to open an account. Present process involves three personnel to enact the remittances transaction which requires a longer process to complete the transaction. Exchange rate is calculated by teller manually.

B) New Process

Customer need not queue at the opening account counter anymore as personalised services will be provided at the CSR desk. Therefore, it is only a one stop process whereby all remittances transaction will be taken care of by CSR. Exchange rate is calculated by the system automatically. (Please refer Appendix 10)

C) Resources Required

For financial Transaction, the "A" ranked Service Centres and "B" ranked Service Centres requires four and two teller-officers respectively. For the full branch, one to three teller officers are required.

D) Policies Required

Empowerment to CSR to accept cash and cheque deposit for remittances transaction. As such, the cash handling guidelines and procedures must be followed by the CSR.

4.13 House Cheque Debiting

House cheque debiting can be enacted with the instruction of the following:

1. Customer
2. Fixed Loan Repayment
3. Bills Payment
4. Inward Marked Cheque

5. Invalid Cheque (Non -KLACH)

A) Present Process

Currently, override of transaction by Officer for transaction exceeding the teller's limit is done at the Officer's terminal after teller informed Officer of the override required. Drawer's signature is checked against the signature specimen card manually.

B) New Processes

The new system will automatically buzz the CSR terminal if transaction exceeds the CSR teller limit. Drawer's signature is checked against the system signature enquiry screen which will speed up the transaction. (Please refer Appendix 11)

C) Resources Required

For the "A" ranked Service Centres and "B" ranked Service Centres, four and two teller-officers are required respectively. For the full branch, one to three teller officers are needed.

D) Policies Required

Empowerment to CSR teller to receive and debit house cheques as CSR is not required to verify the house cheques debited. It is recommended that the Officer-teller concept be implemented and to incorporate the teller's duty into the Officer's job function. The HR Dept will have to facilitate the Officer-teller requirements.

4.14 Customer Credit Application

Types of credit facility offered:

- 1) Small & Medium Industries and Corporate**
 - a) Term Loan / Project Finance**
 - b) Fixed Loan**
 - c) Overdraft**

- d) Banker Acceptance
- e) Revolving Credit
- f) Equity Finance
- g) Bank/ Shipping guarantee
- h) Bridging / End Financing

2) Consumer:

- a) Housing Loan
- b) Umrah Ziarah Financing
- c) Express Share Credit
- d) Term Loan
- e) Overdraft
- f) BBA
- g) ESOS

A) Present Process

Normally , customer enquiry and application is not properly managed due to unknown executive handling the accounts. There is no proper system of tracking of loan status and new credit application is tracked manually. Turn around time for processing and approving consumer loan is one week.

B) New processes

The allocation of account to Customer Relations Executive (CRE) in managing the customer will avoid confusion. The service and care taken by CRE will attract customers and indirectly increase revenue base and investment for the bank. Under the new process, there is a core system to track the loan status ,credit application and information of customers . The new system will improve turn-around time for processing and approving consumer loans to three days. However the approval time may be shortened further if approval is given on the spot by the authorised officer. (Please refer to Appendix 12)

C) Resources Required

Depend on CRE loan account portfolio allocation.

D) Policies Required

Each CRE will have their own terminal to type credit proposals. The PC terminal will have access to the core system for updating and checking of information by CRE. As such minimal clerk work will be given to the department concerned. New policies are needed to grant approving authority for Consumer Loan to Assistant Manager and above on secured basis only and to be recommended by CRE processing the loan.

4.15 Security Documentation

A) Present Process

The present security documentation is done manually and there is no fool proof tracking of settlement files. Insurance and quit rent updating is done manually as well, thus resulting in a longer time to generate redemption statement.

B) New Processes

In the new system ,security core system can be made available to update all security documentation of facilities. Credit file maintenance system will track every movement of files ,including settled accounts. A security core system for insurance and quit rent tracking will also be in place to enable quick references and tracking. There will be also a 48 hour redemption statement request generating system.(Please refer to Appendix 13)

C) Resources Required

CRE will be responsible of his/her portfolio and update all relevant information in the core system until the account is fully settled. The Credit Administrator will be in charge of all security documentation and update all information into the system as well scrutinise all documents for disbursement of facilities.

D) Policies Required

In the absence of the Head, Credit Administrator, it is proposed that an additional Credit Administrator in line will take-over the responsibilities.

4.16 Customer's Account Reviewed

Customer's account to be reviewed can be performed in the following manner :

1. Customer Feedback / Complaints
2. Customer Financial Performance
3. Review of Customer Periodic Account
4. Profitability Risk Analysis
5. Sales Material & Information
6. Market Information

A) Present Processes

There is no procedure built into the core system providing on-line help facilities to the CRE reviewing the customer needs, thus the Credit Officer could not determine the requirements of customer. Manual updating of the facility restructure. System program available to highlight accounts to be reviewed but it contains only Overdraft account and not others.

B) New Processes

Policies and procedures are built into the core system ,thereby providing on-line help facilities to the CRE in reviewing customer's needs, thus the CRE can be proactive towards customer's needs and requirements. System updating of the customer facility restructure. The new core system will be able to generate all accounts to be reviewed regardless of facility granted. (Please refer Appendix 14)

C) Resources Required

Credit review will be done by the appointed CRE designated to take care of credit customers under their portfolio. This include customer

feedback/complaints , customer financial performance, profitability risk analysis and sales material and information.

D) Policies Required

CRE and Credit Administrator are to be given access to the core system to update information and check on the customer account for review and updating of status.

4.17 Loan Repayment

Customer can make loan payment as follows :

1. Direct to CSR teller at any Service Centre
2. Informing its CRE who will Then direct To CSR teller for payment
3. Direct deduction from customer's account by respective department for repayment of loan.

Mode of payments are as follows:

- a. Cheques
- b. Cash
- c. Debiting from Savings/Current Accounts
- d. Cashier order/Draft

A) Present Processes

Customer has to fill up the payment slip. All transactions are done at teller counter and no reconciliation is performed at the of the day. Inter - branch payment is not allowed . Requires a longer time for transaction.

B) New Processes

The advice /voucher will be printed and validated bay the system. The customer is however given the choice of either filling up a loan payment form made available at the counter or go straight to the CSR teller. Payment can be done at any of the Bank's network. Loan payment transaction by debiting the customer account can be done at a system made available at Credit

Administration Department. The respective department clerk will key-in the transaction by themselves and a printed summary report will be generated for reconciliation against the day's loan payments vouchers at the end of the day. (Please refer Appendix 15)

C) Resources Required

For the "A" ranked Service Centres and "B: ranked Service Centres , four and two teller officers are required respectively. For the full branch, one to three teller officers are needed.

D) Policies Required

New policies are required to provide financial transacted computer system at Credit Administration Department to enable the Credit Administration / Trade Finance clerk to transact any debiting of customer account for loan repayment. A special ID to be given to these clerical staff to transact the transaction as well as printing a summary report of loan payment made at the end of the day for reconciliation and verification. The ID given to this back office clerical is restricted to debiting of transaction for loan payment only and no other financial transaction is allowed.

4.18 Customer's Account Defaulted

Customer's account is regarded as defaulted based on the following classification :

1. Overdue : 1 - 2 months
2. Irregular : 2 < 3 months
3. Non - Performing : 3 < 6 months (Classified as substandard)
6 < 9 months (Classified as Doubtful)
more than months (Doubt and bad)

A) Present Processes

All defaulted accounts that needs reporting to Bank Negara and internal reporting is currently performed manually. CRE is not responsible of the

defaulted accounts as it is the responsibility of Recovery Officer. Present status of defaulted account is done manually and there is no computer system supporting the procedures of recovery.

B) New Processes

All defaulted accounts that need reporting to Bank Negara and internal reporting will be supported by the host computer system whereby it can be generated and printed through the system as and when required. CRE in charge of the account is to follow up with customers well as to assist Credit Administration Department - Recovery Section in recovering the defaulted amount. A computer system linkage will be set up to support the recovery procedure with the latest account status will be keyed into the system by the respective CRE and recovery staff. (Please refer to Appendix 16)

C) Resources Required

For the "A" ranked Service Centres and "B: ranked Service Centres , four and two teller officers are required respectively. For the full branch, one to three teller officers are needed.

D) Policies Required

CRE handling the respective accounts are equally responsible together with Recovery Officers to ensure that defaulted accounts are adjusted accordingly by the customer. Latest information of the customer must be keyed -in into the system for references and action to be taken by Credit Administration - Recovery personnel.

4.19 Teller Cash Dispenser

A) Present Process

Customer need to go to the teller counter to either deposit or withdrawal / deposit of Fixed Deposit. Customer need also to produce the necessary documents for withdrawal or cash from the account. Therefore, it takes a longer time per transaction as the teller need to verify the customer's

signature specimen and verify the validated voucher for withdrawal . Cash deposit transaction is slow as it takes a long time per transaction as the teller need to call up the customer's file and to enact the transaction.

B) New Processes

Customer proceed to the CSR teller to either deposit or withdraw cash from Current Account / Savings Account or withdrawal/deposit of Fixed Deposit. CSR will enact the transaction by first requesting for either the Account Number/NRIC/Name or customer number so as to call up for customer's file. CSR teller will then select the cash deposit option screen or withdrawal screen to enact the transaction of the customer's instruction. For cash deposit and withdrawal , the CSR teller will then validate the vouchers after confirming the matching of the physical cash against the system keyed-in by the CSR teller. CRE teller will verify the printed validated vouchers and initial before a copy is given to the customer as acknowledgement. (Please refer to Appendix 17)

C) Resources Required

Credit review will be done by the appointed CRE designated to take care of credit customers under their portfolio. This include customer feedback / complaints , customer financial performance, profitability risk analysis and sales material and information.

D) Policies Required

CRE and Credit Administrator are to be given access to the core system to update information and check on the customer account for review and updating of status.

4.20 Electronic Data Interchange - Banking

4.20.1 Definition Of Electronic Data Interchange

EDI stands for electronic data interchange which is the computer application to computer application exchange of business transactions between organisations in a structured and standardised format (Graynor 1991). This interchange of structured information according to an agreed format involves minimal amount of manual labour. The information is sent directly between the computer systems using local area networks or telecommunications. EDI may also provide strategic benefits by helping firms “lock in” customers, making it easier for customers or distributors to order from them rather than from competitors (Laudon & Laudon 1994, pp. 291). EDI is the link which bridges dissimilar environments and is independent of the type and supplier of computer and information systems. The EDI standard that is adopted by Malaysia is the UN/EDIFACT which stands for United Nations/Electronic Data Interchange For Administration, Commerce & Transport. EDI has been in use since the 1960's in the international banking industry through SWIFT. In the 1990's, companies and organisations all over the world are implementing EDI. These companies use it as a strategy for creating competitive advantages and for optimising the way the organisation functions. EDI communication is already mandatory within some sectors while the lack of EDI means poorer conditions in others.

4.20.2 Electronic Data Interchange - Banking Plan For Commercial Bank

In order to optimise the benefits of EDI, a number of infrastructure tasks need to be completed. As all these cannot be achieved at the same time, a planned phased approach is recommended to ensure that all areas are covered in a systematic manner. The recommended flowchart is in figure 4.1. Some details of the flowchart are,

1. Establish Bank Negara And Association Of Banks In Malaysia (ABM) Contacts.

New banking services offered requires the approval of Bank Negara or ABM or both. EDI - Banking services are new and as such some business issues may require input from either or both organisations.

2. Automated Application Interfaces.

One of the benefits of using EDI is to eliminate many of the manual processes associated with paper-based systems. Information is received electronically vis EDI, thus it is recommended that the transfer of information from the EDI gateway to the mainframe application system be made as an automatic gateway.

3. Electronic Data Interchange Community Development

Developing the EDI- Banking community is a priority to ensure a large number of customers trading electronically with the bank. The cost benefits through the use of EDI can only be obtained where there is sufficient transaction volumes to justify the investment and this can only be achieved if there is a reasonable number of EDI customers. The success of the project is determined by the number of banking customers using EDI and the number of transaction processed (Hayes 1984, Flaig 1993).

4. Other Financial Electronic Data Interchange Services

In order for EDI to have greater appeal to the Bank's customers ,other banking services should be offered by BSN Commercial Bank. It is recommended the following new EDI services be developed and offered to customers :

- Remittances

The customer enters remittance information and sends it electronically to the bank for processing.

- Trade Finance Services

A great number of trade finance services are offered by the bank , many requiring the input of large amount of data. These are high value services requiring the input of large amount of data. These are high value services requiring information to be entered in a very precise manner which must not vary from document to document . Therefore, with the use of EDI, there is no need for rekeying-in of data. Data are captured at the source to ensure confidentiality and accuracy via EDI.

4.20..3 Business Benefits To BSN Commercial Bank

Business benefits to BSN Commercial Bank through the use of EDI is significant when the entire funds transfer process becomes electronic. The benefits are separated into 3 categories :

1. Process Improvements or Direct Benefits

- There is a need for BSN Commercial Bank to develop the banking applications for customers
- Eliminates manual processes at the branch
- Reduces the cost of producing paper forms
- The customer acquires the EDI applications, hardware and software from third parties.
- The marketing of EDI services can be spread over other interested parties and not just the Bank
- New way to transact with the customer

2. Workforce Efficiency or Indirect Benefits

- Eliminates human errors as there is no human intervention or rekeying
- Reduces queues at the branches without reducing transaction volume
- Able to reduce workload during peak periods at the teller and back office areas
- Able to increase volume of businesses without increasing administration overheads

- Release staff at the branch offices for more time on customer service activities rather than just completing teller transactions

3. New Business Opportunities or Strategic Benefits

- Ability to retain existing customers and capture new customers by offering EDI services that other banks do not or cannot offer.
- Once EDI is installed within the customers' organisation, it is reasonable to say that they will complete the whole trading cycle via EDI, thus requesting more EDI applications in the long run. Since the hardware and software already exists, there is minimal costs in adding other applications.
- Ability in providing newer services not previously possible, especially when the dollar and data are transferred together
- Able to provide a higher level of service to existing customers

4.21 Obstacles In Implementations Of The Proposals

4.21.1 Retaliation From Employees And Employee Unions

As it is common for people to react to any changes in the environment or corporate culture, the implementation of the proposals mentioned in the previous pages might create retaliation from employees or employee's union. Corporate culture refers to a company's values, beliefs, traditions, operating style and internal work environment (Thompson and Strickland 1996).

The lower level of employees might fear that with the proposed implementations their job opportunity will shrink as the officers will be taking up their responsibilities and might resort to their union for help. The union on the other hand has the responsibility to protect the employees and will try to deter the management from implementing the proposals. The officers on the other hand might feel that they are over loaded with responsibilities and choose to be non cooperative or non committal.

To avoid these confusions it's vital for the bank's top management to create awareness among its employees on the importance of reengineering to ensure the continued survival of the bank. They must personally lead efforts to align culture with strategy (Olian and Rynes 1991, pp. 324). External consultants also can be engaged to deliver awareness program to complement internal efforts..

The bank can assure the current employees that their livelihood won't be affected by the improvements through freezing of new intakes and job enrichment and enlargement of the prevailing employees. Appropriate incentives can be given for picking up additional responsibilities. This will motivate the employees to be committed and productive. Awards ceremonies, role models and symbols are a fundamental part of a strategy implementer's culture shaping effort. Dissatisfaction and doubts related to changes among employees must be attended immediately by senior managers.

Beside that a tight culture- strategy alignment is a powerful lever for channelling behaviour and helping employees to do their jobs in a more strategy-supportive manner. This can be done in two ways:

- By creating a work environment where the culture matches well with the conditions for good strategy execution provides a system of informal rules and peer pressures regarding how to conduct business internally and how to go about doing one's job (Kotter and Heskett 1992, pp. 15-16). This will ensure that culturally approved behaviour thrives, while culturally disapproved behaviour gets squashed and often penalised.
- A strong strategy-supportive culture nurtures and motivates people to their best; it provides structure, standards, and a value system in which to operate; and it promotes strong company identification among employees (Kotter and Heskett 1992, pp. 15-16). All this makes employees feel genuinely better about their jobs and work environment to stimulate them

to perform closer to their best of abilities without retaliating to the reengineering activities.

4.21.2 Funding For Implementing The New Processes

The suggestions given will cost a considerable amount of investment as implementing the centrally computerised environment, EDI banking and Swipe Cheque options will cause a big hole in the pocket. The investment might approach an estimate of RM 8.5 million at a point where the bank is already making huge losses in its operations.

The bank need to draw out a detail proposal encompassing area of improvement, cost incurred, monetary and non monetary buy backs, proactive measures to combat possible problems in implementation and a road map on the implementation period to be submitted to its board of directors to get the approval for the necessary funding.

4.21.3 Revisiting Costing

Division executives and implementation committee members will most likely find a lot of reasons why approved ideas should be reopened for discussion or the savings or revenue projections of those ideas changed. With a multitude of individual action plans, The Management Committee will never be able to assess whether a requested change is legitimate or not. Therefore, no modifications should be allowed once everything has been finalised.

4.21.4 Skilled Workforce

As the dependability of the bank on computer system will increase after the whole exercise, it's vital for the bank to have skilled and trained work force in handling the computer systems. External experts should be hired on contractual basis in the initial period to trouble shoot potential problems.

FIGURE 4.1

Degree of customer / server contact

Buffered Core (None)	Permeable System (some)	Reactive System (much)
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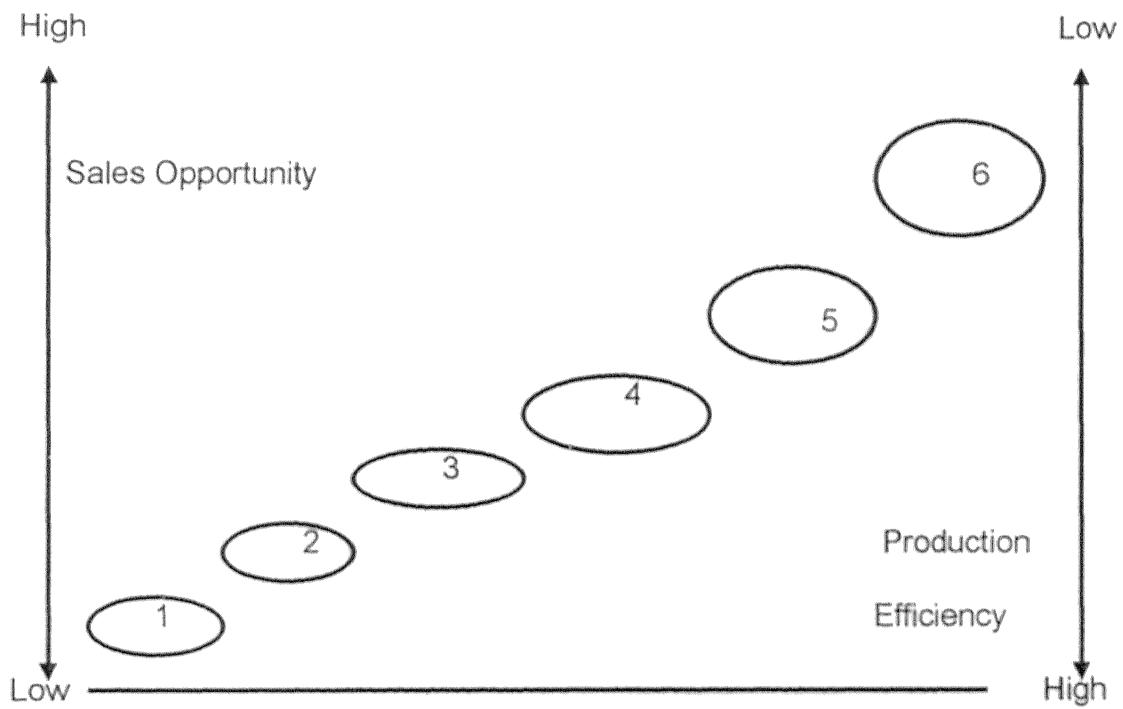


FIGURE 4.2

Electronic Data Interchange Flow Chart

